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DOL FOR ILAB
STATE FOR DRL/IL Mark Mittelhauser
GENEVA FOR John Chamberlin
USTR for Lewis Karesh, Stephen Fabry

E.O. 12958: N/A

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SUBJECT: MANDELSON PUSHES EU'S LABOR AND TRADE
STRATEGY

11. SUMMARY. EU Trade Commissioner Mandelson keeps pushing for the inclusion and development of a social dimension in trade policy instruments and policies. Speaking at a Brussels conference last week, Mandelson pressed the EU Council to adopt the withdrawal of GSP benefits from Belarus. He also outlined a series of EU initiatives for "decent work" through bilateral agreements, working with the ILO to develop "decent work" indicators, tools for measuring trade and labor market adjustment. Mandelson called on NGOs and unions to help reassure developing countries that Core Labor Standards "are not a protectionist tool, but a guarantee of fundamental rights," stressing the importance of the Doha Round and the WTO for jobs and poverty reduction. DG Trade is in the midst of trying to determine what form labor provisions might take in their bilateral FTAs. END SUMMARY.

12. In early October 2006 the EU Commission set out a comprehensive agenda -- called Global Europe -- for strengthening the contribution of trade policy to Europe's competitiveness. As Trade Commissioner Mandelson noted in addressing a Brussels conference on "decent work" December 5, "the Global Europe agenda argues very strongly that social justice at home and abroad is an integral part" of the EU's competitiveness agenda. The Commissioner said internal EU policies designed to equip citizens "to take the best from globalization and avoid becoming victims of the worst," could not be dissociated from "using external trade policies to promote growth and sustainable development abroad." Though "tough choices" are to be made "if Europe is to reform and modernize," Mandelson said the protectionist alternative was "an economic dead end."

13. Noting that "most of our companies have learnt that decent work makes decent workers," Mandelson defined decent work as "fairly paid, safe work," calling for "Working opportunities that are blind to gender, work that is part of a wider social network of social security and education that equips people to adapt to change." Mandelson added: "And where we can, we have a responsibility to ensure that the same is true in the developing world." Focusing on what the EU can do to promote decent work abroad, he

mentioned:

GSP and GSP+

14. Mandelson recalled that the EU this year extended its Generalized Scheme of Trade Preferences (GSP) to put more emphasis on sustainable development: "Under the new GSP Plus scheme, additional tariff preferences have been made available to vulnerable countries that have ratified the main international ILO and UN conventions on labor and human rights, and that have taken strides in environmental protection and good governance, including the fight against drug trafficking." Though some countries were initially "less than enthusiastic about ratifying the ILO core conventions in return for GSP Plus," all recipients "have now signed." (El Salvador finally ratified all ILO core conventions in September this year).

15. In Mandelson's opinion, the EU must "be prepared to act against countries that "systematically flout Core Labor Standards." The Commission had shown such willingness vis--vis Burma/Myanmar, and again this year after being advised by international trade unions and the ILO of systematic violations of freedom of association in Belarus. The withdrawal of GSP privileges from Belarus (just agreed on at working group level; still requiring formal approval by the EU Council) was "a test case" of the EU's "collective commitment to the promotion of workers' rights as an integral part" of its trade policy objectives. The investigation period in the Belarus case had been "long and scrupulous." Almost four years after the start of the withdrawal process,

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based on a joint complaint by international and European trade unions, and with the involvement of the ILO, Belarus had "not taken any real, tangible measure to remedy the situation." The EU Council therefore had "the responsibility to ensure the robustness and the credibility" of the instrument to pursue the promotion of social standards in EU trade relations.

BILATERAL TRADE AGREEMENTS

16. Speaking on the eve of the adoption by the Commission of draft mandates for negotiating new EU bilateral trade deals with India, South Korea and ASEAN countries, Mandelson said he would like the EU to "make a step change in how we integrate decent work and the broader agenda of sustainable development into these bilateral agreements." Though the EU "always rejected a sanctions-based approach to labor standards - and that will continue," Mandelson said the EU could "do more to encourage countries to enforce basic labor rights, such as the ILO core conventions, along with environmental standards - not simply in principle, but in practice." Cooperation and social dialogue were important, as well as "transparency, through an independent mechanism," to "highlight areas where governments should take action against violations of basic rights."

DECENT WORK INDICATORS

17. Mandelson said the EU also needed to deepen its "understanding of how trade agreements affect labor markets and the quality of jobs, especially in poorer countries." This required reliable

information and indicators to help these countries "plan the right social and employment policies to maximize the benefits of trade opening and support the most vulnerable into decent jobs." Mandelson noted that the Commission Trade Directorate-General joined with the ILO last year in a pilot project to develop decent work indicators in Uganda and the Philippines, and to determine the feasibility of using employment data to assess the effects of trade opening on labor market adjustment in developing countries. Based on the final reports of that cooperation, Mandelson said the indicators developed provided "an accurate picture of the quality of work in these countries - employment of men and women, child labor, working hours, earnings, job security, safety at work, social protection and more." In partnership with the ILO, the Commission was aiming to "extend this work over the next year" to "develop decent work indicators in other developing countries, and to develop a tool for assessing the effects of trade agreements," such as the EU's Economic Partnership Agreements with ACP countries, on labor market adjustment and policies for decent work.

WTO AND MULTILATERAL INITIATIVES

18. Turning to the WTO system, Mandelson said the EU would further press the case for decent work and the social dimension of trade policy in its 2007 Trade Policy Review. He deplored that while a reference to Core Labor Standards was included in the Declaration of the 1st WTO ministerial (Singapore 1996), WTO members could not agree to include the issue as part of the Doha Round. It was "regrettable that many developing countries felt the need to resist including this important area in the negotiations." Though "developing countries have a right to use their comparative advantage in labor costs to allow their economies to grow," ILO core conventions were not about labor costs but "about basic standards." Developing countries should be reassured that Core Labor Standards "are not a protectionist tool, but a guarantee of fundamental

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rights." Mandelson called on NGOs and unions to spread the word. He also renewed the EU's call for ILO observer status in the WTO, which certain developing countries continue to resist. He concluded that trade and social policies "need to work hand in hand" and that "making trade a part of sustainable development means putting it at the service of decent work."

COMMENT

19. Mandelson's Commission department (DG Trade), which has been consulting with civil society on how to push forward the EU's trade and labor strategy, has been entangled in disputes with member state governments on how to cope with cheap imports from Asia that producers say are drowning out traditional industry. Some countries (France and Italy, in particular) remain worried about Mandelson's handling of EU trade policy. By underlining the need to respect environmental rules and labor standard, Mandelson hopes he can move ahead with the conclusion of new bilateral trade agreements, an option that is gaining special significance against the background of the persisting blockade in the multilateral DDA/WTO talks. DG Trade is in the midst of trying to determine exactly what form labor provisions might take in their bilateral FTAs. They

recognize that ensuring the enforcement of labor laws, and not just signing on to ILO standards, is important, and they are considering what form an FTA incentive structure might take, since they appear disinclined to take a sanctions-based approach.

GRAY